
LEGISLATION AND POLICY

Why the Americas Matter

By

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I think this is an appropriate moment to talk about North America but also more broadly about the hemisphere. For those of you who are not familiar with the North American Forum, it sprang up as a parallel structure to the security and prosperity partnership of North America. It was originally an effort to bring opinion makers, private sector leaders, university professors and presidents, and leaders of non-government organizations together with government officials from the three countries of North America. The intent was to begin to see if there was some way that the governments working with the private sector, universities and non-government organizations could begin to create a vision for North America. An understanding of what North America is as an entity and then how governments could be working to fashion a more productive cooperation and address the kinds of problems we saw in the immediate aftermath of September 11, 2001.

There are three convenors or co-convenors for this. On the U.S. side it is former Secretary of State Schultz, on the Mexican side it is former Finance Minister Pedro Aspe and on the Canadian side it is the former Premier of Alberta Peter Lougheed. The first session was held last year in Sonoma. This year it is held in Banff. Next year it will be held in Mexico.

I thought it particularly appropriate that the events in Halifax were followed immediately by the conference in Banff because it linked the tragic events of September 11, 2001 to what has come out of it. I think is a real examination of what North America is and an effort to understand how we, as different as we are in our identities and as different as we are in our national sovereignty, Canada, the United States, and Mexico do share a common place, do share a common market and increasingly are connected demographically and culturally. By understanding this and looking for ways to enhance that degree of connectedness are we going to remain competitive in the world and we going to be in a position to protect our open societies against threats which are not going away. For that reason, I thought it useful to come here today.

I think there is a lot of opportunity out there. This might not be immediately evident when you read the press or look at what is presented in television programs and analyses, but my own view is that this is the hemisphere that has made incredible strides and progress over the last several decades and really is positioned to do tremendous things and North America is going to be a very important part of that. I would like to do is start by talking about what I think the central issue in the hemisphere is and why this is important for the rest of the world. Let us talk about how the hemisphere has sought to create a common agenda among democratic nations and how the United States has engaged in it, and finally, how North America relates to it.

I chose the title “Why the America’s matter” simply because the news so often focuses on events in Iraq or events in Afghanistan. Because of the larger war on terror we sometimes forget that we live in a hemisphere that is:

- Democratic
- Committed to free markets
- Committed to economic integration
- Committed to developing the individual capacity

All the above are necessary to take advantage of the economic opportunities that are being presented through the kind of economic growth we have been able to achieve in the region more broadly. In many ways this hemisphere has already gone through what we would call the first generation of transformational challenges by committing itself to democracy, by committing itself to fundamental human rights and by building a consensus however debated it is, but it is still a consensus around an economic model and an approach to economic growth.

What we are looking at right now in this hemisphere really is a second generation problem or second generation issues of governmental and societal transformation. This is really, in the western hemisphere, about how you link democracy and development. It is about how you show that democracy is not a conservative form of government designed to protect the privileges of elites but is actually a revolutionary form of government that is designed to break open societies. It is designed to create opportunities not only for political participation but for economic and social participation and that as we think about democracy we need to think about it in much larger terms than just voting or electoral mechanisms or machineries. We need to think about it in terms of a democratic state, not just a democratic government, and this includes political citizenship, economic citizenship and social citizenship. In a region which has become democratic, and has committed itself to a certain economic model, we obviously face big problems, big social problems, in relationship to the following:

- Poverty
- Inequality
- Political exclusion and social exclusion

One of the striking things over the last few years is how this region has sought to deal with all the problems.

I would like to start by taking you all back to April of 2001, to Quebec City, where the Summit of the Americas met in difficult and contentious circumstances. Although Quebec City has the fame of being a fortress, it was even more so in April of 2001. You will recall that this came after Seattle and Genoa and a period of kind of anti-globalization demonstrations which were quite dramatic and intense. The Summit of the Americas was seen as a perfect opportunity for these forces to kind of appear on the steps of Quebec City and try to break through and disrupt the Summit of the Americas, which so many assumed was just going to kind of repeat the chant of globalization. The irony is of course that as the demonstrators outside were expressing their concern about what was happening inside. Inside was something quite remarkable in the sense that the democratic leaders who were participating in that event for the first time committed the western hemisphere to democracy. The second was a broad commitment to free markets and economic integration through establishing a timetable for free trade over the Americas. Now, we all know that timetable has not been met. We all know that, especially with the suspension of talks in Doha and the inability to come to terms on agricultural issues, our ability to actually close a larger free trade over the America’s in the near term is limited. What was important then and is important still is that there was a commitment to free trade

and a recognition that it is through economic integration that democratic governments have the means to break down economic elites and oligarchies. We continue to look for new ways so that prosperity does not just trickle through society it courses through society.

The other item which I think coming out of Quebec was important was a commitment to create a new hemispheric security agenda. For the longest time our security agenda has been defined by the Rio Treaty and by confidence building measures between states, the assumption being that the essential vulnerability or threat in the hemisphere was state on state violence. What the leaders again instructed their foreign ministers to do was to take another look at the security agenda and to adjust it to a reality in which the real threats to states were not other states in a hemisphere that had committed itself to democracy but instead the threats were terrorism, drug trafficking, natural disasters, environmental disasters and pandemics and in so doing created an opening for state dialogue about security which was new and unique and fresh. It actually took a lot of that dialogue out of defence ministries and put it in law enforcement agencies and intelligence agencies, in crisis and emergency response agencies, and also in health agencies, especially those that dealt with pandemics. I think this was an important step forward in again building kind of the connective tissue within the hemisphere that allows a conversation and a level of cooperation that really had never existed before.

When we look back on that summit, I think what we see is:

- A creation of a consensus around political values and around economic models
- A clear instructions to governments to begin to develop the mechanisms
- The action plan or the agenda necessary to make these commitments real.

The governments have responded, bureaucracies have responded, through the Inter American Democratic Charter. The OAS was able to take the democracy clause of the Quebec City Summit and put it into the inter American system, but it was able to do it in a way that it is really worth taking a minute or two to understand what the Inter American Charter, the democratic charter, is. I am not sure how many of you have had a chance to look at it in any detail. The first article of that Charter, the first clause of the first article, says that democracy is a right of all the peoples of the Americas and that their governments have an obligation to promote and defend it; in other words, democracy is a right.

Now, this is a radical statement. Typically, if you talk to people who study these things they will argue that democracy is a form of government that is made up or constructed from fundamental rights such as freedom of association, freedom of speech, freedom of belief, but that it is these fundamental rights that are liberties and freedoms, not the form of government. But the foreign ministers were arguing the opposite not the opposite, they were arguing that, although it has component parts that are liberties, democracy itself is a right. This was a unique statement. It was a unique statement for the Americas. I think it was a unique statement in the world. It said that governments have an obligation to promote and defend democracy, so it creates not only a right for individuals and peoples but an obligation for governments. The second clause of the first article says that democracy is essential for the political, social and economic development of the Americas. This statement is just as radical as the first because what it is proposing is that for development to be real it has to be democratic. What the foreign ministers were attempting to articulate here was a belief that this hemisphere needed to fashion a new understanding of development and a new model for development and not a model that is capitalist, socialist or communist, but a model that is democratic.

I think that this has highlighted the essential issue that we are facing in this hemisphere right now, which is this linkage between democracy and development and the ability to show that democracy can deliver the goods, that at the end of the day, as I mentioned earlier, democracy is not

a conservative form of government, that in fact it has the potential to be a very revolutionary form of government, a revolutionary form of government that protects individual rights and liberties but at the same time gives people a voice in their national destiny and recognizes them in a citizenship which is all inclusive and which, more importantly, takes the step beyond democratic government to the recognition that we live in democratic states and as members of democratic states our government has responsibilities to provide benefits and services and we have responsibilities also to engage in our societies and operate in our societies as democratic actors. In some ways the challenges that we face now in the hemisphere are the product of the consensus that was created in Quebec City and then the commitment that was built through the Inter American Democratic Charter. One other point which is very important to make here, the Inter American Democratic Charter was approved by acclamation in Lima, Peru on September 11, 2001. For us who had been working on it for some time it was a profoundly bittersweet moment, sweet obviously because the promise of the Quebec City Summit had been realized in an important agreement, bitter obviously because our country was under attack and we knew what this was going to mean for us in the years to come.

The fact that September 11, 2001 kind of links terrorism and democracy in such a dramatic way is important and the fact that the charter itself links democracy and developments is also vitally important. One of the things that we have tried to do, the United States government has tried to do, as it establishes its policy in the region and as it looks at how it expends resources is to make sure that our policy corresponds to the structure or the consensus that was built in Quebec City, whether it be commitment to consolidation of democratic institutions, whether it be promoting economic opportunity and prosperity, either it be investing in people or whether it be in working to protect the democratic state from non state actors. In other words, our policy, and this might surprise some of you, really was conceived through the summit process. It is structure reflects the summit process and as we try to implement it we try to implement it in a way that corresponds to that process and corresponds to the priorities laid out in that process. I think we have done a pretty good job of it and I will run you through a few numbers just to give you an idea.

For instance, the Bush administration has doubled foreign direct assistance to Latin America and the Caribbean. When President Bush came into office, the United States was spending about \$800 million a year in foreign direct assistance to the region. That is now about \$1.6 billion. It has been \$1.6 billion for the past five years. In fact, if you look at the entire amount of money that the previous administration spent in the region it was a little under \$7 billion. The Bush administration hit that figure at about four years, so everything since then has been kind of an add on.

What is important also is that this money has been concentrated in specific areas. The development side of the equation has been enhanced. There has been an important alternative development component put into the counter drug activities, especially in the Andes, and a lot of money has also gone to Haiti in order to help Haiti work itself through a very difficult political moment and show that a democracy can rebuild. A democratic government, with the help of the United Nations (U.N.) and countries like Canada, can rebuild a democratic state.

The Bush administration increased funding to the Peace Corp by about 40 per cent and put about a thousand new Peace Corp volunteers into the region and into countries that historically had not had Peace Corp volunteers like Mexico.

The Bush administration created the Millennium Challenge Corporation and the Millennium Challenge Accounts, which are designed to take the principles developed at the Monterey United Nations meeting on financing development linking the policy of developing countries to donor assistance and providing new moneys and new funds to promote governments that make the right kinds of decisions, the right kind of policy decisions about fighting corruption, improving education, improving health care and creating an environment in which people develop individual capacity.

The administration has put about \$500 million up to this point, new money, into the region through the Millennium Challenge Account and it will put additional money in if we are able to negotiate compacts with Bolivia and with Guyana.

Then through trade and preferential access programs we have we think dramatically reshaped the economic dynamic in the region and have begun to foster a series of micro economic revolutions in specific countries where we have free trade agreements that are really all about tearing down old economic structures and old ways of doing things and opening up market space and creating an environment in which new companies can emerge and in which small and medium sized enterprises have a chance and create economies that pull people out of the informal sector and into the formal sector where not only do they pay taxes but they are also covered by labour law and by social security regimes.

Right now about 85 per cent to 90 per cent of all goods coming from Latin America and the Caribbean to the United States come in duty free, either through GSP, through our Caribbean Basin Initiative, through the *Andean Trade Preference and Drug Eradication Act*, or through our free trade agreements. Right now our free trade agreements cover about two thirds of the entire Gross Domestic Product of the hemisphere.

We think that this kind of response to the region, that this kind of engagement with the region has been positive. I will let the Canadians speak for themselves, but I know the Canadian engagement has been just as robust. This is important because it really is changing a dynamic in the region and it is changing how people understand their futures and how they understand their engagement with other countries. This is why from our point of view we have to maintain a hemispheric approach in our policy.

We have to maintain a pan American approach to our policy because without that South America in particular, parts of South America, really run the risk of becoming Pluto, of kind of floating off to the far end of the universe and eventually being declared not a planet. I do not say it entirely in jest because South America in particular has a tendency to parochialism. It has a tendency to close in on itself. Even with all the activity that countries like Brazil and others are doing to try to open the region up and the degree to which the Chileans have been reaching out very aggressively. Historically there has been a tendency to look inward, to not necessarily see itself as part of a larger hemispheric project. We have to do everything possible to not allow that to happen, and to not allow that break to occur.

This is actually a moment in which I can talk a bit about the challenges that we face in the region and especially the challenges to the consensus that we built through the Quebec City Summit process and then through all the summits that have come after it.

Obviously, one of the most vocal and visible challenges of this consensus is Hugo Chavez in Venezuela. Chavez has a message which resonates in some parts of Latin America, especially on the fringes of political society. We have seen it expressed and manifested in a variety of ways, one of the most dramatic being during the Mar del Plata Summit when a people's summit, a counter summit, was held as an effort again to attack the larger free trade agenda of the region, not just the United States but the region, but also as a response, a negative response, to the impact of globalization.

This challenge is really a challenge of vision. It is a challenge of ideas. We need to understand it that way and we need to respond to it in that way. In other words, we really should not see it as a political threat. We need to see it as a challenge to us to improve our ability to communicate but more important to improve our ability to provide results. What I mean by this is that in some ways what we see in this competing vision is something that we have seen and heard before. The vision is based on personalistic politics. It has heavy authoritarian overlay and it sees democracy as a means to channel class conflict. It sees democracy as a means to choose leaders but not as a method of

government. The method of government is really about trying to address the problems of class conflict and class divisions through an elected government but acting in an authoritarian way and doing so by concentrating resources back to the state, back to the public sector, and by resisting economic integration, the belief being that economic integration actually degrades and erodes the power of the state and that the state is necessary to address the underlying social problems that especially South American countries face.

From our point of view at least we have seen this movie. We have heard these arguments. We know what the result is. It is broken institutions, it is failed economies and it is a suffocation of civil society. This is a message that resonates because of desperation. It is a message that resonates because of the frustration that people in some countries feel about governments that are not delivering the goods.

One of the challenges that we face, one of the things we need to do, is look for ways to make sure that governments that have made a commitment to democracy, governments that have made a commitment to free markets and economic integration, can succeed. Most of them are succeeding. Those who are not are not succeeding because their institutions are weak and because the political dynamic in the country is so fractious that there is no possibility for continuity of policy over time. In this regard, the inter American system has institutions and organizations that can help these countries.

In fact, one of the important aspects of the Inter American Democratic Charter is that it creates a means for countries in the hemisphere to express solidarity and provide institutional assistance to countries that are going through democratic crises, not only in terms of electoral observation but also in terms of a variety of other interventions that can be done. We are only beginning to understand the power and the strength of the Inter American Democratic Charter in this regard. There is a lot more that we can be doing. There is a lot more creativity that we can be bringing to this issue.

I guess the central point here as we look at this kind of I do not want to use the word “battle”, but as we look at what these competing visions mean and how it is we are going to address them, ultimately we have to address them through results. We can not address them through rhetoric. We can not address them through ideological attack. We have to do it by showing that we have the capability of linking democracy and development and delivering the goods and services that many of the countries in the region need to address the underlying problems of poverty and equality and exclusion. I think we can do it. In fact, I think there is tremendous opportunity out there to do it.

When you look at what countries like Chile and El Salvador have been able to do in terms of reducing poverty levels, and especially critical poverty levels, there are lots of good models. There are lots of approaches that work. It also requires a degree of flexibility on our part as we understand that countries all have an internal political dynamic that needs to be worked out and that what we need to be doing is looking for ways to help to facilitate that process, to help these countries work this out.

In this regard, I believe that there is still a consensus around democracy, free markets and economic integration and a consensus around the importance of investing in people so that they don't become dependent on the state but they become independent in themselves, that they have the capacity to take advantage of economic opportunity. I believe that Canada and the United States can play a huge role in this.

This kind of brings me back to North America. What we have been able to accomplish through *North American Free Trade Agreement* (NAFTA) has been remarkable in terms of dramatic economic growth and dramatic growth of trade. But NAFTA was an agreement which once done was kind of left to itself and left to the private sector. It was really through the security and prosperity partnership that governments finally reengaged in a NAFTA process and finally began to look for ways to enhance

NAFTA but at the same time build into it other components, especially on the security side, recognizing in the aftermath of September 11, 2001 that it is through protecting our security that we protect our prosperity and we protect the wellbeing of our democratic institutions but also in terms of building new constituencies for governments.

One of the interesting things about the security and prosperity partnership is that it has components that allow those who use the border all the time, whether they be the private sector and movement of goods and services, whether it be state and municipal institutions along the border, the frontier, or other people who have an abiding interest in borders, whether they be non-government organizations or universities, or who have studied them at great length, to provide input to governments and to enhance our understanding of where friction points still exist and what more we can do in terms of harmonizing regulations, in terms of improving procedures and processes, but also in developing levels of cooperation and collaboration that have not existed before.

When the State Partnership Program was first conceived several years ago it was seen as something that would be done as an add on to NAFTA and taking into account the events of September 11, 2001 but it has evolved over time. With the disasters that we in the United States faced because of Hurricane Katrina, because of the fears raised by the possibility of an avian flu pandemic, our understanding of security in North America and its relationship to trade has also changed and evolved.

What we are doing in North America today is consolidating democratic states, integrating them economically but then providing a security overlay and a level of cooperation and dialogue that will strengthen the economic institutions, strengthen our ability to protect and promote our prosperity and enhance our ability to create the opportunity that people can actually take advantage of. In this way we have taken a model of economic integration that is largely accepted around the hemisphere and raised it one level higher. It is a huge challenge for the rest of the hemisphere but it is a challenge that we have to push them to accept.

We think that the degree to which we can improve our cooperation and collaboration within North America will actually be effectively pulling central and South America and the Caribbean with us and letting them know that we can indeed address the fundamental problem of democracy and development in North America with Mexico as a vital partner, look for ways to address profound issues like immigration, and create an environment in which our democratic societies, our open societies, are secure. This is obviously important for us, it is important for you, it is important for Mexico, it is important for other countries in the region.

One of the reasons why I wanted to say why the Americas matter, aside from the obvious interest to ourselves, is that the degree to which we can show that democracy can deliver the goods, the degree to which we can link democracy and development and show that you can have open societies that are resilient, that can protect themselves and can protect their economic institutions is that we are sending a very strong message to those parts of the world that are just beginning a democratization process, whether it be in the Middle East or whether it be in south and central Asia. The degree to which we can show that democracy can deliver the goods will act as a source of encouragement for those who are really working to democratize countries in the Middle East and elsewhere in the world. The degree to which we fail will reinforce those who have always argued that only authoritarian governments can address the tough decisions that are required to end poverty and inequality and create societies that are allowed to grow.

For that reason I think that the Americas is still the new world. I think that the Americas still have the capability to show the rest of the world some profound and important lessons in governance and in how you protect individual liberties but operate successfully in a globalized economy.